

**AMENDMENT # 2** **09/15/99**  
**TO**  
**FINAL REQUEST FOR PROPOSALS (RFP)**  
**#TIRNO-99-R-00035**  
**for the**  
**ELECTRONIC TAX ADMINISTRATION (ETA)**  
**PILOT OF ALTERNATIVE PAYMENT**  
**METHODS FOR INDIVIDUAL INCOME TAX**

The purpose of this amendment is to cancel the requirement for integrated electronic file and pay proposals for Form 1040 series returns for contracts with initial pilots in Filing Season 2001. As stated in Announcement #4 for this RFP, integrated electronic filing and payment of such returns will be implemented by the IRS through all authorized IRS e-file providers in Filing Season 2001. Integrated file and pay proposals for contracts with initial pilots in Filing Season 2001 are still solicited for Form 1040ES (not considered a Form 1040 series return), Form 4868, and individual income tax payment types other than those for Form 1040 series returns. Also, stand-alone payment proposals for contracts with initial pilots in Filing Season 2001 are still solicited as already described in the RFP.

This amendment also revises some contract terms and conditions in Section C and proposal instructions in Section E.

The RFP as revised in Amendment # 1, dated June 11, 199, remains unchanged except as stated in this Amendment # 2.

**Description of the Amendment:**

**1) The closing time and date for receipt of all proposals for contracts with initial pilots in Filing Season 2001 is changed to 4:00 p.m., Eastern Time, September 24, 1999.**

**2) On page 6 of the RFP's Section C, the following new last sentence is added in the second paragraph of Section C.1.2 SCOPE:**

**"Contracts awarded for filing season 2001 will not include pilots of any integrated electronic file and pay solutions that are for Form 1040 series returns."**

3) In Section C.1.3 CONTRACT REQUIREMENTS beginning on page 7 of the RFP's Section C :

1<sup>st</sup>, Paragraph (b) is deleted in its entirety and revised to:

“(b) Contractors whose solutions for filing electronic returns include payments with extension of time to file an individual tax return shall consider the requirements for Form 4868 in the Electronic Return File Specifications and Record layouts for Individual Income Tax Returns, Publication 1346.”

2<sup>nd</sup>, the following new paragraphs are added after (d) 1 and 2, Performance Standards:

“(e) Additional Duties and Responsibilities of the Contractor.

1. Give advance notice to taxpayers of all fees to be charged. Contractors whose solutions include credit card payments shall notify taxpayers of all fees to be charged to their credit card prior to initiating credit authorizations.
2. Provide taxpayers with an electronic means to confirm payment transactions.
3. Provide only guaranteed payments to the Government for taxes owed.
4. Make reasonable efforts to make any necessary modifications to software, systems, and services in accordance with its commercial business practices to conform to the provisions of IRS regulations promulgated under U.S.C. 6311(d)(1). This contract is considered modified automatically to incorporate by reference the current provisions of such IRS regulations during the life of this contract.
5. Provide documentation (with “limited rights” as defined in the “Rights in Data” clause in Section C.12.1), upon request by the Government, of the transaction processing networks employed in the pilot and the networks’ interfaces including testing certification plan and procedural guide.
6. Contractors with integrated file and pay solutions shall retain taxpayer electronic filing information for 36 months following the end of each tax filing season. This requirement shall survive the life of this contract, and the Government shall have the right to inspect such logs upon reasonable notice to the Contractor.
7. Contractors whose solutions include credit card payments shall retain credit card authorization logs for 72 months from the date of each transaction. The information in such logs shall include the transaction dates and times, card

member account number and expiration date, amount of transaction, and approval code. This requirement shall survive the life of this contract, and the Government shall have the right to inspect such logs upon reasonable notice to the Contractor.

8. Contractors whose solutions include credit card payments shall convert credit card transactions to ACH debit authorizations and settle funds to the Government's designated Treasury Financial Agent (TFA). Any adjustments necessary because of failure to correctly verify and validate credit information shall be the responsibility of the Contractor. The TFA shall initiate one bulk daily debit to the account established for this purpose. When the pilot includes integrated file and pay using credit cards, the Contractor shall instruct the TFA to initiate ACH debit authorizations only upon the Government's acceptance of an electronically-filed tax return.
9. Contractors whose solutions include credit card payments shall settle all credit card payment transactions in accordance with the following standard timeframes for settlement for each credit card as stated in the applicable merchant agreement: MasterCard funds will be deposited on the 2<sup>nd</sup> business day after the date of authorization of the transaction. American Express and DiscoverCard funds shall be deposited on the 3<sup>rd</sup> business day after the date of authorization of the transaction. Any funds held overnight shall be subject to U.S. Treasury penalties and interest. Provide settled credit card payments where the authorization date is less than 11 days prior to the settlement date. American Express and DiscoverCard payments shall be forwarded to the TFA one day prior to settlement.
10. Contractors whose solutions include credit card payments shall maintain the confidentiality of any information relating to credit card transactions procedures promulgated by the IRS pursuant to 25 U.S.C. 6311(e)(3).
11. Contractors whose solutions include credit card payments shall maintain the confidentiality of any information relating to Federal/State credit card payments completed in a single transaction. This includes absolutely no disclosure or use of information collected during this transaction for any purpose other than processing the transaction to the U.S. Treasury or appropriate State. Information collected during this transaction shall not be disclosed or used for any purpose prohibited by Section 6311 of the Internal Revenue Code.
12. Contractors whose solutions include credit card payments shall pay all credit card discount fees and other transaction fees.
13. Contractors whose solutions include credit card payments shall provide a merchant descriptor on the taxpayer's credit card statement indicating the tax

payment amount and the convenience fee amount as separate unique line items. The tax payment amount shall be identified as US Treasury Tax Payment.

14. Provide taxpayers with IRS-furnished information on electronic payments.

(f) Duties and Responsibilities of the Government:

1. Provide electronic record specifications necessary for settlement of funds and posting of tax records related to the credit card payments.
2. Designate Treasury Financial Agent(s) to act on the Government's behalf for settlement of funds in payment of individual taxes owed. The TFA(s) will have no authority to access accounts, use information, or place requirements on any person or organization to use the taxpayer's credit card to collect any amount beyond what has been authorized by the taxpayer.
3. Provide information or instructions concerning electronic payments for the Contractor to communicate to taxpayers.
4. Provide required reporting formats.
5. Provide a mechanism for returning funds received by credit card payment in order to correct errors arising from a credit card transaction posted to a cardholder's account without the cardholder's authorization.
6. Process chargeback actions in accordance with its written procedures. This shall include reimbursing the Contractor for unauthorized charges that are substantiated by the cardholder and approved by the Contractor's duly authorized management representative. The Contractor must have completed and delivered the appropriate IRS chargeback form and supporting documentation to the IRS as described in IRS chargeback procedures. Such chargeback requests shall be processed based on the Contractor's determination of the appropriateness of this action as signified by its authorized claimant's signature."

4) In Section C.1.4.4 ADDITIONAL DELIVERABLES on page 10 of the RFP's Section C, delete "8. Pilot findings report" and substitute:

"8. Incident reports of any material network outages, work stoppages, or other payment processing problems. This includes but is not limited to systemic problems related to authorizing credit on-line and human errors that result in duplicate payments or non-payment. The Contractor shall inform the Contracting Officer's Technical Representative (COTR) of all incidents within 24 hours of occurrence or awareness,

and shall provide an incident report within 5 business days. Incident reports shall include a description of the incident, the cause, number of taxpayers impacted, duration of the incident, and actions taken by the Contractor to remedy the incident.

9. Weekly reports of all chargeback actions identifying the transaction date, dollar amount, action request date, and reason for action. These actions shall be in conformance with chargeback procedures issued by the IRS and meet the definition of chargebacks provided by the Contractor and agreed to by the IRS. These reports shall be delivered to the designated IRS point of contact by close of business each Friday.

10. Marketing reports containing a narrative description of accomplishments; difficulties/barriers; and measurement of success (number of unique taxpayers that electronically file and pay as a result the marketing campaign). The reports shall be included in the monthly status reports as a separate section. An initial and supplemental marketing performance findings report shall be submitted in conjunction with the Pilot Findings Report described in C.1.4.1. The initial report shall include activity occurring between January and April 2001. The supplemental report shall include a summary of the initial report findings and marketing activity from May through October 2001. These reports are subject to inspection, verification and approval by the IRS.”

5) In Section C.1.6, Schedule of Performance, the following changes are made:

1<sup>st</sup>, In the fifth row from the top of the chart in the Event column titled “Contractor” remove the following:...”All pilot participants complete...IRS publication(Publication 1345,Form 1040)”.

2<sup>nd</sup>, In the seventh row from the top of the chart in the Event column titled “Begin Pilot” change the date from 2001 to 2002 in the “Contract Option Period” column.

6) In Section C.2 CONTRACT TERMS AND CONDITIONS-COMMERCIAL ITEMS, in paragraph entitled “Termination for the Government’s Convenience” delete all text on pages 14 and 15 of Section C beginning with “However, in the event of such termination...” and ending with “...reasonably could have been avoided.”

7) In Section E.2.4 ADDITIONAL PROPOSAL PREPARATION INSTRUCTIONS, B. Pilot Description, 1. “Objective and detailed description..., “ the 1<sup>st</sup> paragraph beginning on page 7 of Section E is revised as follows:

“Proposals for contracts to begin with a filing season 2001 pilot may include more than one payment type, for example, Form 1040ES filers and Form 4868 filers may be targeted, but Form 1040 series filers shall not be targeted. Changes to existing IRS and Treasury Financial Agent systems and procedures necessary for these solutions

may be proposed.”

In the 2<sup>nd</sup> paragraph on page 7, “paper returns filed manually” in (iii) is deleted and “and/or other paper tax forms and related payments filed manually” in (iv) is renumbered as (iii).

In the 3<sup>rd</sup> paragraph on page 7, beginning with “- high level workflow diagram...,” the 2<sup>nd</sup> sentence is revised to: “The diagram should reflect the sequential and/or concurrent nature of the tasks from initiation of payment by the taxpayer to authorization and confirmation of the payment.”

8) In Section E.2.4 ADDITIONAL PROPOSAL PREPARATION INSTRUCTIONS, B. Pilot Description, in 9. “Impact on taxpayers/and or the government...,” beginning on page 8 of Section E, the following instruction is added:

“Proposals must explicitly describe all fees and methods for collection.”

- END OF AMENDMENT-

6) In Section C.2 CONTRACT TERMS AND CONDITIONS -- COMMERCIAL ITEMS, delete all text in paragraph (i) entitled "Termination for the Government's Convenience," delete all text beginning with: "However, in the event of termination" and ending ..."